

Letter from the President and CEO

Future customers of Santee Cooper may look back on this period as a turning point for Santee Cooper and South Carolina.

On March 30, the Nuclear Regulatory Commission awarded combined construction and operating licenses to Santee Cooper and our nuclear partner, South Carolina Electric & Gas Co., for two new nuclear power units at V.C. Summer Nuclear Station.



This is a significant milestone for Santee Cooper, and for our state. These new nuclear units are critical to Santee Cooper’s efforts to diversify our generation and continue to provide low-cost, reliable and environmentally protective electricity. They will be key to job creation and economic development as we continue rebuilding our state’s economy and position South Carolina for the future.

Nuclear power is the only base load source of generation that is virtually emissions-free, and its long-term operating costs are less than those of fossil-fueled generation. As regulations continue to drive up the cost of fossil-fueled generation, the importance of having a diversified fuel mix cannot be overstated.

The NRC has given our application an intense review, and I applaud the commissioners for their diligence.

Economic benefits are immediate: There are already more than 1,000 workers onsite, and project employment will peak at about 3,000 long-term construction workers, with 600 to 800 permanent jobs when the units start generating electricity. Unit 2 is projected to take five years from COL receipt to construct, with Unit 3 following about 14 months later.

This project is in excellent hands with SCE&G serving as majority partner. Santee Cooper retains a 45 percent ownership in Summer Unit 2 and Unit 3, and our negotiations continue with several utilities to sell a part of that interest to better match our future capacity with the slower growth brought on by the Great Recession.

As a state-owned power utility, Santee Cooper has responsibilities to be a leading resource for improving the quality of life for all South Carolinians. This important step helps us fulfill those responsibilities.

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For the Benefit of All

Quarterly Financial Report
for period ended March 31, 2012

Executive Summary

First Quarter 2012 Compared to 2011

The financial results for the first quarter of 2012 showed a decrease of \$8 million compared to the same period last year.

Electric revenue decreased \$30 million when compared to the same period in 2011, in large part due to milder weather. This is reflected in the degree days, which were 30% lower than last year. Energy sales (MWh) were lower in all customer classes (except Industrial) with a 6% net decrease overall.

Operating Expense for the first quarter of 2012 was down compared to the first quarter of last year primarily due to generation related expenses. These included lower fuel cost associated with the reduction in sales and a shift to more natural gas generation, which was partially offset by increased transmission, administrative & general and nuclear costs.

Other Income decreased when compared to the first quarter of last year due to lower interest rates on investments. The Fair Value of Investments recognized on the books increased \$500,000 compared with 2011.

Interest Charges were less by \$12 million compared to last year with interest on long term debt associated with future nuclear construction being the biggest contributor. The portion of V.C. Summer units 2 & 3 construction interest transferred to a receivable account equates to the ownership percentage expected to be sold.

There was a \$3 million change in Costs to be Recovered from Future Revenue expense. The variance was due to updated debt schedules.

Overall, Reinvested Earnings for the first quarter showed a decrease when compared to the same period last year as a result of these factors.

Key Statistical Highlights

	<i>This Year</i>	<i>Last Year</i>
	<i>Current Quarter</i>	
Total MWh Sales	6,446,060	6,863,922
Number of Degree Days	1,021	1,466
	<i>For Month Ended March</i>	
Distribution Reliability % (YTD)	99.9991	99.9981
Number of Retail Customers	165,216	163,897

Quarterly Statement of Reinvested Earnings

Millions of Dollars (Unaudited)

	<i>Current Quarter</i>		<i>12 Months to Date</i>	
	<i>Jan 1 - Mar 31</i>		<i>Apr 1 - Mar 31</i>	
	<i>This Year</i>	<i>Last Year</i>	<i>This Year</i>	<i>Last Year</i>
Operating Revenue	\$448.7	\$479.1	\$1,884.3	\$1,883.3
O&M Expense	306.8	320.9	1,352.6	1,330.6
Depreciation & Sums in Lieu of Taxes	47.8	47.5	190.2	188.4
Operating Expense	354.6	368.4	1,542.8	1,519.0
Operating Income	\$94.1	\$110.7	\$341.5	\$364.3
Add:				
Other Income	2.4	3.0	11.4	7.5
Net Increase (Decrease) in Fair Value of Investments	(0.4)	(0.9)	(2.4)	(3.8)
Subtract:				
Interest Charges	53.3	64.9	211.2	249.0
Costs To Be Recovered From Future Revenue	7.1	4.2	(3.1)	24.0
Reinvested Earnings	\$35.7	\$43.7	\$142.4	\$95.0

Balance Sheet

As of March 2012 and 2011

Millions of Dollars (Unaudited)

<i>Assets</i>	<i>This Year</i>	<i>Last Year</i>
Utility Plant - Net	\$5,249.7	\$4,946.9
Long Lived Assets - ARO - Net	(13.7)	(14.1)
Investment in Associated Co.	9.9	11.0
Restricted Funds	502.7	668.7
General Improvement Funds	3.5	3.5
Cash & Securities	262.2	241.8
Other Current Assets	1,227.7	1,068.8
Costs To Be Recovered From Future Revenue	203.9	200.8
Regulatory Asset	180.1	183.0
Other Deferred Debits	455.3	398.8
Total Assets	\$8,081.3	\$7,709.2
<i>Liabilities</i>		
Long Term Debt - Net	\$4,814.7	\$4,629.3
Short Term Debt	553.8	534.7
Other Current Liabilities	318.6	284.5
ARO Liability	351.3	336.1
Other Liabilities	127.0	132.4
Accumulated Reinvested Earnings and Capital Contributions	1,915.9	1,792.2
Total Liabilities and Capital	\$8,081.3	\$7,709.2

Quarterly Headlines

Santee Cooper Board approves 2012 refunding bond sale

The Santee Cooper Board of Directors approved the sale of \$250,875,000 in refunding bonds, with a present value savings of approximately \$34,800,000, in a telephonic meeting held Jan. 20. The all-in true interest rate is 2.59 percent.

The 2012 Refunding Series A, Refunding Series B, and Refunding Series C bonds are tax-exempt. The bonds were issued to redeem a portion of Santee Cooper's 2002 Refunding Series A, 2002 Refunding Series D, 2003 Refunding Series A and 2004 Series A bonds.

Fitch and Standard & Poor's both assigned an AA- rating to the bonds, and Moody's assigned an Aa3. Lead underwriter for this transaction was Morgan Stanley & Co. The underwriting team also included Barclays Capital, Inc., Goldman, Sachs & Co., BofA Merrill Lynch, Citigroup Global Markets Inc., and J.P. Morgan Securities LLC.

Customers give Santee Cooper high satisfaction marks in 2011

Santee Cooper's yearly customer satisfaction survey indicated residential customers are significantly more satisfied with Santee Cooper than are customers of other South Carolina and national utilities.

According to MarketSearch, 98.7 percent of Santee Cooper residential customers were satisfied with the state-owned utility in 2011. By comparison, the average for South Carolina utilities was 89 percent, and the national average was 89.4 percent. Santee Cooper has consistently outscored state and national averages in the annual survey.

Other highlights show near perfect scores that reflect customers' positive attitudes toward minimizing outages, reliability of service, response to customer questions and concerns, quality of power and Santee Cooper's reputation.

"This marks the 20th year that MarketSearch has conducted customer satisfaction studies among Santee Cooper's residential customers. Throughout this time, we have observed extraordinarily high and consistent levels of satisfaction — well ahead of national and statewide norms," said Frank Brown, president and CEO of MarketSearch. "We feel these results are especially noteworthy in light of current economic conditions and issues facing the energy industry."

New electricity rate announced to spur job growth

Santee Cooper and the state's electric cooperatives in February announced a new, lower electric rate designed to attract jobs and industrial expansion to South Carolina.

The economic development rate is for new or expanding industries and could result in savings of as much as 20 percent on electricity costs to an industry, depending on the size and characteristics of the electric load.

Together, Santee Cooper and the electric cooperatives comprise the largest electric power system in South Carolina, and an emphasis on industrial growth is particularly important because they provide power to much of the rural and suburban areas where expansion is likely to take place.

The new economic development rate reduces the demand charge over the first four years after a qualifying industry begins operation. The rate offers a discount off of the "firm" industrial rate, has an eight-year commitment, workforce and capital investment requirements. The rate is available until Dec. 31, 2014.

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